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GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

TO: Participating Schools and Lenders

FROM: Diane Todd Sprague, Director

DATE: October 18, 2004

SUBJECT: Educational Loan Notes

FEATURED FINANCIAL AID PROFESSIONAL

Charming, committed, gracious, loyal, dedicated, modest, friendly, energetic, charismatic, warmhearted, knowledgeable, and an experienced icon in the financial aid community are words used to describe Roger Miller, Director of Financial Aid at Kalamazoo Valley Community College (KVCC). Bob Bechtel agrees with this sentiment. As the Loan Coordinator at KVCC, Bob believes that Roger is a good mentor, offers a wealth of knowledge, and makes their workplace enjoyable. Sue Newington, Assistant Financial Aid Director at KVCC, sees Roger as “upbeat.” She says, “It’s hard to tell when Roger is feeling down because he holds such a positive attitude about life and it becomes contagious among the staff.”



Roger Miller, Financial Aid Director
Kalamazoo Valley Community College

Roger began his career at Kalamazoo Valley Community College in December 1973 and then chose to work in their financial aid office in July 1977. He realized the importance of positioning young people to be competitive in the workforce. Roger said that KVCC opens its doors to persons who are interested in and committed to maximizing their potential to be successful in life. He believes, “One of the toughest challenges is to reduce the cost barrier to education and expand the opportunities for more students — young and old — to realize their dreams.” Roger likes the rewards that come from helping people achieve their educational goals.

During his tenure at KVCC, he has been responsible for a variety of areas including Records, Registration, Recruitment, Placement, and Financial Aid. He has served on several committees with the Michigan Student Financial Aid Association (MSFAA), and was president of the association from 1990-91. During his tenure, Roger worked on ways to provide stability for the association, professional development, and training. He believes it is important to give back to the financial aid community, recognizing that all agencies and partners provide a critical service to help our future generations continue their higher education.

The MSFAA financial aid community has been instrumental in helping Roger during his career in financial aid. “They are special people,” Roger said. “They have become like family, and you can call on them anytime to provide assistance and give answers to some very complex regulatory questions. ‘I’m here for you,’ epitomizes the helpful expression of the MSFAA financial aid community.”

(Continued on the next page.)

KVCC has made several changes over the last few years. The financial aid office switched from exclusive paper processing to the Banner Management System. When Roger makes a change he goes all the way. Not only did they switch from paper processing, but they also switched to Electronic Funds Transfer, online counseling, and online awards.

Roger states, "Change is inevitable and in order to be competitive a school must rise to the challenge to better serve their customers." He is very open to change and challenges his staff to think of new ideas and better ways to perform tasks. He always sees change as a "positive," not a "negative," according to Sue Newington. She emphasizes that Roger is always looking out for the "under dog" and strives to be a role model to students. He motivates them to succeed. Because Roger has such a great rapport with students, they seek him out to actively engage in conversation. He is very approachable and makes students feel at ease in speaking with him.

KVCC is service-centered for their "customers" – students and parents. They recognize the needs of their customers and strive to reach out to them and to provide a sense of pride and "family" at the college. Roger said, "It is easy to say something, but it is more important to put action behind your words." Evidence of that action can be seen in KVCC's "student commons" center, constructed to meet the needs of the commuting student body. The Commons, a holistic center of student learning, is designed to engage students in learning activities that nurture the mind, body, and spirit. The Commons features lush greenery and over 8,000 square feet of sky lighting. Included in this area is a coffee shop, theater, multipurpose meeting room, group study rooms, lounge, 30 desktop computers, 100 laptop connections, a complete fitness room with several television monitors, an open stage, and several visiting areas. The Commons offers a serene environment for students to relax, get a cup of coffee, use computers, and get a full workout.

Roger attributes his stability to his family—his wife, Pamela and sons Scott, Jeff, and Todd. He noted that all three of his sons are athletic, strong academically, and good-looking because they take after their mom.

MGA WELCOMES PEGGY LAFLEUR

Michigan Guaranty Agency (MGA) personnel are known for their dedication to the higher education of Michigan's students, and Peggy LaFleur is certainly an individual who exemplifies that dedication. Coming from a family of educators (teachers go back three generations in the LaFleur family), Peggy's advocacy for students comes from the deeply held value that, "a college education is a life-changing activity."

Peggy came to MGA from the Michigan Higher Education Assistance Authority's (MHEAA) Office of Scholarships



MGA's Peggy LaFleur

and Grants, where she was heavily involved in staff training and outreach to the financial aid community. Prior to her work in the Office of Scholarships and Grants, she was an integral part of MHEAA's Office of Information and Resources, focusing on outreach and campus-based programs.

Peggy worked for several years at Northwood University, starting out as the director of student housing and moving on to the position of associate dean of students. She made the decision to take some time away from the workforce to pursue her graduate studies, and in 1996 moved to Virginia to take a graduate fellowship position at the Horatio Alger Association in Alexandria as coordinator of the College Scholarship Program. The mission of the association is to award scholarships to young people who have faced challenges and who realize that a

(Continued on the next page.)

college education is the avenue to a better future.

Peggy's role at MGA will include a focus on training and development. She is busy learning the mechanics and specifics of the agency in order to determine how her skills can best benefit our schools and lenders. Meanwhile, her reputation for excellence and dedication to service has garnered the attention of administrators within the Department of Treasury, and she has been designated Treasury's Organizational Development Officer. In this capacity Peggy coordinates and develops employee training that focuses on Governor Jennifer Granholm's Vision and Values initiative to emphasize four shared values in state government: Excellence, Integrity, Inclusion, and Teamwork.

Peggy is not only busy on her job, but also in her private life. Originally from Wisconsin, she has family there as well as in Minnesota and Maryland, so it is fortunate that she enjoys traveling.

It is compelling that, even in her leisure, Peggy is drawn to examples of the values she is charged with bringing to the forefront of Treasury employees' consciousness. Discussing a recent trip to Rome, she describes viewing the architecture and fine art there, and expresses her amazement at the often decades-long process of bringing a painting or building to life. Often the work was started, then stalled for a variety of reasons, only to be completed years later by others. It is that kind of dedication to excellence, integrity of vision, and focus on teamwork that exemplifies Peggy LaFleur's approach to life. She is, without a doubt, a great asset to MGA.

Please join us in welcoming Peggy to the Michigan Guaranty Agency team. She can be reached at 1-800-642-5626, extension 38319, or via email at laflaurp@michigan.gov.

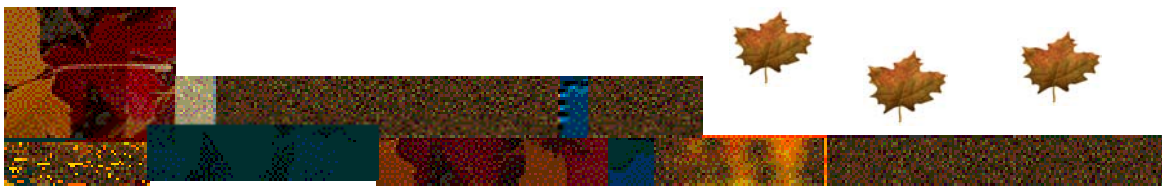
MGA OFFERS A NEW RESOURCE: DEFAULT AVERSION DATABASE

MGA is pleased to announce the release of a new Default Aversion Database on its Web site. The idea of this database was presented and discussed this spring at a meeting of our Default Aversion Task Force. Because there is such an abundance of default aversion resources available on the Internet to schools, it can become frustrating and overwhelming to find material that will be the most useful to your students. MGA created this database to present those resources to school financial aid personnel in an organized and efficient manner, thereby allowing you to find the resources that will be the most relevant to your students.

You can reach this site by going to http://www.michigan.gov/mistudentaid/0,1607,7-128-1734_17268-97954--,00.html, or go to the [michigan.gov/mistudentaid](http://www.michigan.gov/mistudentaid) main page, select "Financial Aid Administrators," followed by "Default Prevention," and then "Default Aversion Resources Database."

Once there, you will be able to search available resources by choosing a main topic. Each topic is then divided into subtopics which are listed at the top of the page. There are currently over 45 resources available on this site! Topics include: basic financial literacy, budgeting in college, credit cards and predatory lending, debt management, sample default plans, delinquent borrower counseling, and much more. MGA expects this resource to be extremely dynamic with new resources added regularly.

We welcome any suggested resources you may have that can be posted to this site. We hope that this site will assist you in your continued default aversion activities. Please send comments and suggestions to Justin Draeger at draegerj@michigan.gov.



DOCUMENT DIRECT ENHANCEMENT FOR ONLINE LOAN COUNSELING CONFIRMATIONS

MGA would like to share information about Sallie Mae's recent enhancement to online loan counseling confirmations in DocumentDirect (DDI). The new feature will enable schools to search for student loan counseling information by Social Security Number (SSN). This will allow you to verify if a specific student has completed the counseling requirement.

When accessing DocumentDirect, you have access to "Topics," as well as reports. When you select "Topics," you can use the "locate" feature to search for a specific SSN.

The process is simple:

- Enter the SSN in the "Topic Item" field. (You must include the hyphens in the SSN.)
- Select "locate." The DDI search feature will automatically locate the SSN and the counseling report date.
- The search will then find matches for all counseling report types – entrance, exit, annual, or graduate.

Please note: Only Social Security Numbers for students who have completed counseling since July 10, 2004, will be available through your topic search.

If you have any technical questions regarding this new feature, please contact Electronic Services at 1-800-348-4604; select option 5, and then option 2.

If you have general questions, please contact Flora Boles at extension 52882, or via email at bolesf@michigan.gov.



COHORT DEFAULT RATES: NATIONAL AND MICHIGAN SCHOOLS

In September the U.S. Department of Education (ED) released the 2002 Cohort Default Rates (CDR). The national CDR of 5.2 percent is the lowest on record. Michigan schools had a CDR of 5.2 percent. MGA has issued certificates of achievement to those schools that reduced their CDR by two percent from their 2001 CDR. Certificates will also be sent to schools that have a CDR of less than ten percent for the last three consecutive years.

Attached to this issue of *Educational Loan Notes* is a comparison of the national cohort default rates for the past three fiscal years broken down by school sector. A comparison of Michigan schools' cohort default rates for the past three years is also attached.

OPENNETSM PROMISSORY NOTE DELIVERY CODES

Recent changes have been made to the OpenNetSM Online Application when designating Promissory Note Delivery Codes. If you are an OpenNet customer and your loans are disbursed by OpenNet (LFM-disbursed), this change will not apply to you. **If you are an OpenNet customer and your loans are not disbursed by OpenNet (non-LFM disbursed), please read this in its entirety as this change may affect your loan processing.**

A Promissory Note Delivery Code is a CommonLine code that indicates the preferred method of delivering the promissory note to the borrower, and is generally a "P" for paper or "W" for Web. Until now, it has not been critical for you to distinguish between paper or Web-based processes for your school-initiated loans (schools could submit "P" or "W" or even a blank value in the certification field and OpenNet would display the loan for the customer to e-sign regardless of code).

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As schools are upgraded to OpenNet they will need to submit the appropriate delivery codes (“P” for paper and “W” for Web) on certifications for loans **not** disbursed by OpenNet. OpenNet has been modified to recognize Promissory Note Delivery Codes for loans not disbursed by OpenNet (non-LFM disbursed). If schools would like students to e-sign, you must submit a “W” (Web) code with your certification. Students will not be able to e-sign their loan if a “P” code or blank value is submitted unless you make one of the following changes:

1. Change your Financial Aid Management System to send the appropriate Promissory Note Delivery Code.

For students wishing to e-sign their promissory note, please transmit a “W” delivery code. For students wanting a traditional signature on paper, please transmit a “P” delivery code.

2. Contact Sallie Mae to activate a Promissory Note Delivery Code override profile. The override will automatically overlay any blank or invalid code received and default a value of “W” (Web) or “P” (paper).

The type of notification your borrowers receive is tied directly to your choosing “W” or “P.”

If you have any technical questions regarding this new feature, please contact Electronic Services at 1-800-348-4604. For general questions, please call Flora Boles at extension 52882 or email her at bolesf@michigan.gov.

SPECIAL ALLOWANCE RATES

Special allowance rates based on the 91-day Treasury Bill (T-bill) average and the three-month Commercial Paper average for the quarter ending September 30, 2004, are attached to this issue of *Educational Loan Notes*. The average of the bond equivalent rates of the 91-day T-bills auctioned during the quarter ending September 30, 2004, is **1.53%**.

All new Federal Family Education Loan Program (FFELP) loans disbursed on or after January 1, 2000, are paid special allowance, if eligible, based on the Commercial Paper rate. The average of the bond equivalent rates of the quotes of the three-month Commercial Paper (financial) rates in effect for each of the days in the quarter ending September 30, 2004, is **1.69%**.

THE “ED” PIPELINE

Following is a list of some of the most recent ED correspondence for schools and lenders.

Dear Partner
October 2004
GEN-04-08

This letter informs schools of the electronic processes in which they must participate and the updated system requirements needed to conduct these processes.

Dear Partner
October 2004
GEN-04-09

This letter announces the Secretary of Education’s intent to extend certain filing and reporting deadlines for institutions or applicants located in a federally declared disaster area and adversely impacted by the recent hurricanes in the United States.

Dear Partner
October 2004
GEN-04-10

This letter clarifies the requirements for requesting and using an ED-PIN for use in the federal student aid programs. It also states the actions ED will take when they believe that the integrity of an ED-PIN has been compromised.



Dear Partner

October 2004

GEN-04-11

This letter reminds institutions of the statutory requirement that they report gifts received from, or contracts entered into with, foreign sources, and ownership or control of institutions by foreign entities.

SCHOOL LIST UPDATES

The following changes should be recorded by lenders on MGA's "Active Michigan School List" dated August 4, 2004. If you have any questions regarding these changes, please contact Stacy Cardwell at extension 36074.

Correction**Adrian College, Adrian, 002234-00**

Michael Hague's telephone number is 517-265-5161, extension 4523, and his fax number is 517-265-3331.

Fax Number Change**Oakland Community College, Royal Oak, 002303-02**

The new fax number is 248-246-2444.

Email Change**Calvin Theological Seminary, Grand Rapids, 002242-00**

Dave DeBoer's new email address is ddeboer@calvinseminary.edu.

Contact Name Change**Eastern Michigan University, Ypsilanti, 002259-00**

Delete Renee Suryan. The new contact is Cynthia VanPelt, Associate Director. Cynthia's telephone number is 734-487-1048, and her fax number is 734-487-0174. Cynthia's email address is cynthia.vanpelt@emich.edu.

LENDER LIST UPDATES

School personnel should record the following actions on the "Participating Lender List" dated January 26, 2004. Please make the appropriate changes in all sections of the list as needed.

A new "Participating Lender List" will be mailed to schools later this month, along with a questionnaire regarding your use of the list. We value your input, and we look forward to your responses to the questionnaire. If you have any questions or comments regarding this month's updates or the "Participating Lender List" in general, please contact Pat Fromm at extension 36076 or via email at frommp@michigan.gov

Name Change

Sallie Mae-LSC/Florida, 888885, changed its name to SLM Education Finance Corporation.

Newly Participating Lender

U.S. Bank, N.A. ATF Global Educational Finance Corp., 834142, c/o Sallie Mae, P.O. Box 59012, Panama City, FL 32412, 888-272-5543.

Non-Participating Lender

U.P. State Credit Union, 817411, no longer participates in FFELP. Please delete this lender from the lender list.



Calendar of Upcoming Events

October

24-27 MASFAA Conference
Indianapolis, Indiana

November

1-4 U.S. Department of Education
Electronic Access Conference (EAC)
Orlando, Florida

9 Mapping Your Future Evening Chat
Loan forgiveness, cancellation, and
discharge.

11 MGA Office Closed

11 Mapping Your Future Evening Chat
Finding the school of your dreams
and gaining admission.

17 MGA Fall School Workshop
Schoolcraft College, VisTaTech Center
Livonia, Michigan

18 MGA Fall School Workshop
Grand Rapids Community College
Grand Rapids, Michigan

19 MSFAA High School Counselor
Workshop

25-26 MGA Office Closed

30-12/3 U.S. Department of Education
Electronic Access Conference (EAC)
Las Vegas, Nevada

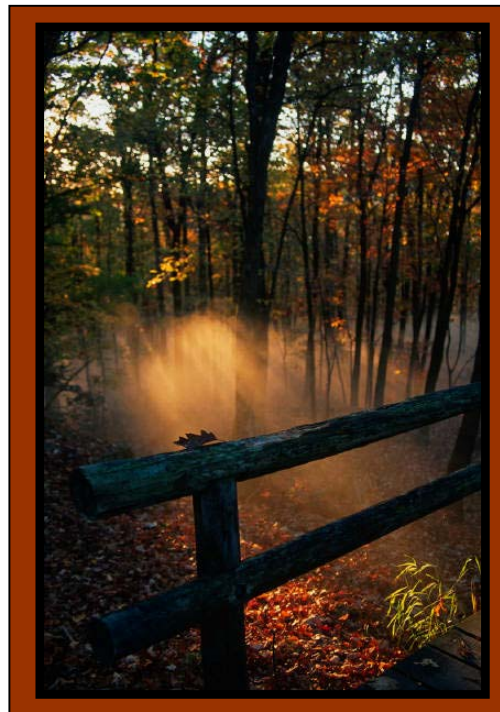
December

14 Mapping Your Future Evening Chat
Loan Consolidation

15 Guaranty Agency Advisory Committee Meeting
State Library and Museum
Lansing, Michigan

23-24 MGA Office Closed

30-31 MGA Office Closed



If you need further information or wish to submit items for the calendar, please contact Jim Peterson, Editor, at extension 36944, or via email at petersonj@michigan.gov.

LOAN NOTES

OCTOBER 2004

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**Federal Family Education Loan Program and
Federal Direct Loan Program
Institutional Default Rate Comparison of
FY 2000, 2001, and 2002 Cohort Default Rates**

	Fiscal Year 2000				Fiscal Year 2001				Fiscal Year 2002			
	Number of schools	Borrower Default Rate	Number of Borrowers Defaulted	Number of Borrowers Entered Repayment	Number of schools	Borrower Default Rate	Number of Borrowers Defaulted	Number of Borrowers Entered Repayment	Number of schools	Borrower Default Rate	Number of Borrowers Defaulted	Number of Borrowers Entered Repayment
Public	1,772	5.9%	79,690	1,348,885	1,713	5.3%	71,077	1,316,719	1,681	5.1%	66,297	1,295,318
Less than 2 yrs	179	8.1%	480	5,881	168	7.2%	387	5,366	165	6.7%	396	5,851
2-3 yrs	964	9.2%	29,129	313,582	930	8.6%	26,148	301,125	908	8.5%	25,695	299,379
4yrs(+)	629	4.8%	50,081	1,029,422	615	4.4%	44,542	1,010,228	608	4.0%	40,206	990,088
Private	1,947	4.0%	26,963	670,176	1,888	3.5%	23,360	667,002	1,837	3.2%	22,019	669,099
Less than 2 yrs	100	14.9%	453	3,022	83	9.3%	263	2,810	65	9.7%	289	2,954
2-3 yrs	310	6.9%	1,453	20,946	273	6.8%	1,353	19,719	248	6.1%	1,348	21,959
4yrs(+)	1,537	3.8%	25,057	646,208	1,532	3.3%	21,744	644,473	1,524	3.1%	20,382	644,186
Proprietary	2,337	9.4%	35,597	375,321	2,215	9.0%	35,485	391,531	2,000	8.7%	37,269	423,631
Less than 2 yrs	1,448	11.0%	11,113	100,681	1,335	10.8%	11,090	102,569	1,131	10.1%	11,092	108,748
2-3 yrs	720	9.5%	15,419	161,614	704	9.3%	14,606	157,045	681	9.2%	14,801	160,432
4 yrs(+)	169	8.0%	9,065	113,026	176	7.4%	9,789	131,917	188	7.3%	11,376	154,451
Foreign	389	2.6%	127	4,749	420	2.3%	113	4,905	436	2.0%	111	5,434
Unclassified	5	0.1%	1	643	4	0.1%	1	584	1	0.0%	0	294
Total	6,450	5.9%	142,378	2,399,774	6,240	5.4%	130,036	2,380,741	5,955	5.2%	125,696	2,393,776

Source: U.S. Department of Education

State of Michigan - Schools

Cohort Default Rate FY 2002

Type	Number of Schools	Number of Defaulted Borrowers	Number of Borrowers Entering Repayment	Cohort Default Rate 2002	Cohort Default Rate 2001	Cohort Default Rate 2000
Public 4-Year	15	1,369	39,435	3.5%	4.0%	5.4%
Public 2-Year	27	748	8,772	8.5%	9.3%	8.6%
Private 4-Year	36	1,369	22,570	6.1%	7.0%	6.1%
Proprietary	29	519	5,599	9.3%	12.1%	12.4%
Graduate/ Professional	6	14	1,168	1.2%	1.9%	1.6%
Totals	113	4,019	77,544	5.2%	5.9%	6.4%

**91-DAY TREASURY BILL
SPECIAL ALLOWANCE RATES
FOR
QUARTER ENDING SEPTEMBER 30, 2004**

	Loan Rate	Special Allowance Annual Rate	SA Quarterly Rate	Special Allowance Category
SA	7% 9%	0 0	0 0	<u>SA</u> - for loans made before 10/01/81.
SB	7% 8% 9%	0 0 0	0 0 0	<u>SB</u> - for Stafford (subsidized) and PLUS loans made on/after 10/01/81 but before 10/17/86 or loans made on/after 10/17/86 but before 11/16/86, for enrollment periods beginning before 11/16/86.
SD	7% 8% 9% FVAR10 (4.32%) PLUS/SLS Var (4.81%) FVAR7, FVAR8, FVAR9, EVAR (4.17%)	0 0 0 .0046 0 .0061	0 0 0 .001150 0 .001525	<u>SD</u> - for Stafford (subsidized) and PLUS/SLS loans made on/after 10/17/86 but prior to 11/16/86 for enrollment periods beginning on/after 11/16/86. For Stafford (subsidized) and PLUS/SLS loans made on/after 11/16/86 but before 10/01/92. Also, for Stafford (unsubsidized) loans made prior to 10/01/92 for periods of enrollment beginning on/after 10/01/92.
SE	FVAR7 (4.17%) FVAR8 (4.17%) FVAR9 (4.17%) FVAR10 (4.17%) EVAR (4.17%) PLUS/SLS Var (5.26%)	.0046 .0046 .0046 .0046 .0046 0	.001150 .001150 .001150 .001150 .001150 0	<u>SE</u> - for Stafford loans made on/after 10/01/92 but prior to 07/01/94, regardless of the enrollment period, or loans made after 07/01/94 for an enrollment period ending prior to 07/01/94. Also, for PLUS loans made on/after 10/01/92 but before 07/01/94. Also, for SLS loans made on/after 10/01/92 but before 07/01/94; or certified before 07/01/94 and disbursed after 07/01/94.
SG	Stafford Var (4.17%) PLUS Var (5.26%)	.0046 0	.001150 0	<u>SG</u> - for Stafford loans made on/after 07/01/94 but before 07/01/95, or loans made on/after 07/01/95 but before 07/01/98, during periods of repayment or forbearance. Also, for PLUS loans made on/after 07/01/94 but before 07/01/98.
SH	Stafford Var (3.57%) PLUS Var (5.26%)	.0357 0	.001150 0	<u>SH</u> - for Stafford loans made on/after 07/01/95 but before 07/01/98 only during the in-school, grace, and deferment periods. Also, for PLUS loans made on/after 07/01/98 but prior to 01/01/00.
SJ	Stafford Var (2.77%)	.0096	.002400	<u>SJ</u> - for Stafford loans made on/after 07/01/98 but prior to 01/01/00 only during the in-school, grace, and deferment periods.
SK	Stafford Var (3.37%)	.0096	.002400	<u>SK</u> - for Stafford loans made on/after 07/01/98 but prior to 01/01/00 only during the repayment and forbearance periods.

PLEASE NOTE: The 91-day T-bill average (bond equivalent rate) is **1.53%** for the third quarter of **2004**. This results in the following yields:

SA 1.53% plus 3.50% = 5.03%	SG 1.53% plus 3.10% = 4.63%
SB 1.53% plus 3.50% = 5.03%	SH 1.53% plus 2.50% = 4.03%
SD 1.53% plus 3.25% = 4.78%	SJ 1.53% plus 2.20% = 3.73%
SE 1.53% plus 3.10% = 4.63%	SK 1.53% plus 2.80% = 4.33%

**91-DAY COMMERCIAL PAPER
SPECIAL ALLOWANCE RATES
FOR
QUARTER ENDING SEPTEMBER 30, 2004**

	Loan Rate	Special Allowance Annual Rate	SA Quarterly Rate	Part IV: Special Allowance Category Column C
CA	Stafford Var (2.77%)	.0066	.001650	<u>CA</u> - for subsidized/unsubsidized Stafford loans made on/after 01/01/00 but prior to 07/01/06, only during the in-school, grace, and deferment periods.
CB	Stafford Var (3.37%)	.0066	.001650	<u>CB</u> - for subsidized/unsubsidized Stafford loans made on/after 01/01/00 but prior to 07/01/06, during the repayment and forbearance periods only .
CD	PLUS Var (5.26%)	0	0	<u>CD</u> - for PLUS loans made on/after 01/01/00 but prior to 07/01/06. Note: special allowance will not be paid unless the calculated interest rate exceeds the 9% cap.

PLEASE NOTE: The three-month Commercial Paper average (bond equivalent rate) is **1.69%** for the third quarter of **2004**. This results in the following yields:

CA 1.69% plus 1.74% = 3.43%
CB 1.69% plus 2.34% = 4.03%
CD 1.69% plus 2.64% = 4.33%